DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

January 5, 1999

CC:INTL:Br5

Number: **199914018**
Release Date: 4/9/1999

UILC: 482.02-00

INTERNAL REVENUE SERVICE NATIONAL OFFICE FIELD SERVICE ADVICE

MEMORANDUM FOR
Attention:

FROM: Jeffrey L. Dorfman
Chief, CC:INTL:Br5

SUBJECT: Taxpayer

This Field Service Advice responds to our telephone conversation of Date C. Field Service Advice is not binding on Examination or Appeals and is not a final case determination. This document is not to be cited as precedent.

LEGEND

Taxpayer	=
Taxpayer Sub	=
Q Company	=
Promoter	=
Promoter LP	=
Promoter Sub	=
Promoter A	=
Promoter B	=
Promoter C	=
Promoter D	=
Promoter E-1	=
Promoter E-2	=
Promoter E-3	=
Promoter F	=
R Company	=
L Individual	=
K Family	=
H Individual	=
J Individual	=
G Individual	=
F Individual	=
Amount Z	=
X tax	=
Amount Y	=
Amount X	=
Amount W	=
Amount U	=
M Group	=
Date A	=
Date B	=
Date C	=
Date D	=
Date E	=
Date F	=
Date G	=
Year 1	=
Year 2	=
Year 3	=

ISSUE

Whether I.R.C. § 482 applies to a lease-stripping transaction where the parties to the transaction, some of which are related by overlapping ownership, act pursuant to a common plan to distort the taxable income of one of the parties to the transaction, thereby satisfying the control requirement of I.R.C. § 482.

CONCLUSION

Section 482 may apply to the lease-stripping transaction involving Taxpayer (the “Transaction”), because the parties to the Transaction acted pursuant to a common plan to shift income and deductions artificially and to assist Taxpayer in the evasion of taxes. Section 482's application should be done in conjunction with other analyses discussed to-date, such as sham.

FACTS

Pursuant to our telephone conversation of Date C, below is the brief discussion you requested of section 482 and its application to the Transaction. Accordingly, pursuant to the desired abbreviated format, we rely on the facts outlined in your Date A and Date B memoranda to the Assistant Chief Counsel (Field Service), and will not repeat them in this Memorandum.

LAW AND ANALYSIS

A. Section 482 -- Generally

Section 482 provides the following:

> In any case of two or more organizations, trades, or businesses owned or ***controlled*** directly or indirectly by the ***same interests***, the Secretary may distribute apportion, or allocate gross income, deductions... between or among such organizations...if he determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such organizations. [Emphasis Added.]

Thus, in order for section 482 to apply to a transaction, the transaction must be between two or more entities owned or controlled by the same interests. As there is no common ownership among the participants to the Transaction (other than Taxpayer’s ownership of Taxpayer Sub, Promoter’s ownership of Promoter Sub, and Promoter B’s ownership of Promoter F (“Promoter F”)), the primary question under section 482 becomes whether any of the participants, particularly Taxpayer Sub and Promoter LP, are controlled by the same interests.

B. Legal Standard for Control

The section 482 regulations define control "to include any kind of control, direct or indirect, whether legally enforceable, and however exercisable or exercised." Treas. Reg. § 1.482-1(a)(3), 1968-1 C.B. 218; Treas. Reg. § 1.482-1T(g)(4), 1993-1 C.B. 90; Treas. Reg. § 1.482-1(i)(4), 1994-2 C.B. 93.[1] *See also Appeal of Isse Koch & Company, Inc.*, 1 B.T.A. 624, 627 (1925), *acq.,* 1925-1 C.B. 2 ("[C]ontrol not arising or flowing from legally enforceable means may be just as effective in evading taxation as if found on the most formal and readily enforceable legal instrument."). The regulations also state that "[i]t is the reality of control that is decisive," rather than a rigid focus on record ownership of the entities at issue. *Id. Accord Ach v. Commissioner*, 42 T.C. 114 (1964), *aff'd*, 358 F.2d 342 (6th Cir.), *cert denied*, 385 U.S. 899 (1966); *Grenada Indus., Inc. v. Commissioner*, 17 T.C. 231 (1951), *aff'd*, 202 F.2d 873 (5th Cir. 1953), *cert. denied*, 346 U.S. 819 (1953), *acq. in part and nonacq. in part*, 1952-2 C.B. 2, 5; Rev. Rul. 65-142, 1965-1 C.B. 223, 224; *Charles Town, Inc. v. Commissioner*, 372 F.2d 415 (4th Cir. 1967), *aff'g,* T.C. Memo. 1966-015, *cert. denied*, 389 U.S. 841 (1967).

Moreover, the 1968 regulations provide that a "presumption of control arises if income or deductions have been arbitrarily shifted." Treas. Reg. § 1.482-1(a)(3) (1968). *See Dallas Ceramic Co. v. Commissioner*, 598 F.2d 1382, 1389 (5th Cir. 1979), *rev'g*, 35 A.F.T.R.2d (RIA) ¶ 75-394 (N.D. Tex. 1974) (holding that based on Treas. Reg. § 1.482-1(a)(3) (1968), the Service properly argued that proof of income shifting between two corporations establishes a presumption of common control). *Accord Hall v. Commissioner*, 294 F.2d 82 (5th Cir. 1961), *aff'g,* 32 T.C. 390 (1959), *acq.*, 1959-2 C.B. 4 (referring to Reg. 111 § 29.45-1). The 1993 and 1994 regulations also contain this presumption, and add that control may exist as a result of the actions of "two or more taxpayers acting in concert with a common goal or purpose." Treas. Reg. § 1.482-1T(g)(4) (1993); Treas. Reg. § 1.482-1(i)(4) (1994). *Accord DHL Corp. v. Commissioner*, T.C. Memo. 1998-461 ("[W]hen the interests controlling one entity and those controlling another have a common interest in shifting income from the former to the latter, entities may be considered commonly controlled [in determining whether the control requirement under the 1968 regulations is satisfied]."). Thus, under the regulations, joint, legal ownership,

---

[1] The taxable years at issue are Year 1, Year 2, and Year 3. Accordingly, there are three sets of section 482 regulations that potentially apply to the years at issue: the 1968 regulations apply to taxable years beginning on or before April 21, 1993; the 1993 regulations apply to taxable years beginning after April 21, 1993; and the 1994 regulations apply to taxable years beginning after October 6, 1994, unless an election is made to apply them to all prior open years. Treas. Reg. § 1.482-1T(h) (1993); Treas. Reg. § 1.482-1(j)(2) (1994). We are uncertain whether Taxpayer is a calendar or fiscal year taxpayer, or whether an election to apply the 1994 regulations retroactively has been made. Consequently, we will distinguish between the regulations by referring to their year of promulgation (in parenthesis) when each set of regulations is referred to.

or overlapping ownership, is not required for unrelated corporations to come within the purview of section 482 if income or deduction shifting is present, or if there is common goal to shift income or deductions. *But See Lake Erie & Pittsburgh Railway Co. v. Commissioner*, 5 T.C. 558 (1945), *acq.*, 1945 C.B. 5, *acq. withdrawn and substituted for nonacq.*, Rev. Rul. 65-142, 1965-1 C.B. 223; *B. Forman v. Commissioner*, 54 T.C. 912 (1970), *rev'd in relevant part*, 453 F.2d 1144 (2nd Cir. 1972), *cert denied*, 407 U.S. 934 (1972), *reh'g denied*, 409 U.S. 899 (1972), *nonacq,* 1975-2 C.B. 3 (nonacquiescence relates to Tax Court opinion only, as the Second Circuit adopted an interpretation of control that is consistent with 1968, 1993, and 1994 section 482 regulations).

Where the Service seeks to establish common control due to the presence of an artificial shifting of income and deductions, it is the Service's burden to prove the applicability of section 482 by establishing a shifting of income and deductions. *Dallas Ceramic Tile Co.*, at 1390. We believe that this burden is met by the "stripping" of income from the leases to Promoter LP, an entity whose 99.7% general partner is exempt from U.S. tax, and the reporting of the deductions relating to that income by Taxpayer Sub. *See* Notice 95-53, 1995-2 C.B. 334 ("[T]he parties to a stripping transaction are controlled by the same interests, because, among other factors, they act in concert with a common goal of arbitrarily shifting income and deductions between a transferor and a transferee.").

C. Legal Standard for "Same Interests"

If control is found to exist, the Service may allocate income and deductions among members of the "controlled group." Treas. Reg. § 1.482-1(b)(1) (1968); Treas. Reg. § 1.482-1T(a)(2) (1993); Treas. Reg. § 1.482-1(a)(2) (1994). A controlled group or controlled taxpayer is defined to mean the entities owned or controlled by the "same interests," and includes the taxpayer that owns or controls other taxpayers. Treas. Reg. § 1.482-1(a)(5) (1968); Treas. Reg. §§ 1.482-1T(4), (5) (1993); Treas. Reg. §§ 1.482-1(i)(5), (6) (1994). Unlike the term "control," the phrase "same interests" is not defined in the section 482 regulations. Case law as well as the legislative history of section 482 provide guidance, however.

Section 482 was enacted to prevent the artificial shifting of income between controlled taxpayers to avoid Federal taxes, and thereby "milk" a taxable entity, *i.e.,* placing deductions in one entity and income related to those deductions in another entity. *Brittingham v. Commissioner*, 598 F.2d 1375, 1379 (5th Cir. 1979), *citing,* H. Rept. No.2, 70th Cong., 1st Sess. (1927), 1939-1 C.B. (Part 2) 384, 395; S. Rept. No. 960, 70th Cong., 1st Sess. (1928), 1939-1 C.B. (Part 2) 409, 426. *See also* H. Rept. No. 350 and S. Rept. No. 275, 67th Cong., 1st Sess. (1921). In using the term "same interests," Congress intended to include more than "the same persons" or "the same individuals." *Brittingham*, at 1379; *South Texas Rice Warehouse Co. v. Commissioner*, 366 F.2d 890, 894-5 (5th Cir. 1966), *aff'g*, 43 T.C. 540 (1965), *cert.*

denied, 386 U.S. 1016 (1967); *Appeal of Rishell Phonograph Co.*, 2 B.T.A. 229, 233 (1925). *See also* LXI-Part 6 CONG. REC. 5827 (1921) (statement of Sen. King referring to the "same forces" controlling a number of corporations). Different persons with a common goal or purpose for artificially shifting income can constitute the "same interests" for the purposes of the statute. *South Texas Rice Warehouse*, at 894-5. *See also Brittingham*, at 1378-9, *citing, Ach,* 42 T.C. at 125-6 (The phrase, "same interests," should not be narrowly construed to frustrate the intent of section 482); *Appeal of Rishell Phonograph Co.,* at 233 ("If `the same interests' was intended to mean only `the same persons,' it would have been easy for Congress, by using the latter term, to have avoided all ambiguity."). *Accord Grenada Indus., supra.*

Thus, it is not necessary that the same person or persons own or control each controlled business before section 482 can be applied, but there must be a common design for the shifting of income in order for different entities to constitute the "same interests." Indeed, this definition of same interest is identical to the definition of control (and the presumption relating thereto) in the regulations and case law. Thus, if there is a common design for shifting income or deductions, then the requirements for control and same interests will be met. *See Hall v. Commissioner*, *supra*, 32 T.C. at 409-10 (An arbitrary shifting of income coupled with the ability to direct the actions of an entity establishes control for the purposes of section 482 -- whether or not ownership exists.).

D. <u>Control by the Same Interests in the Taxpayer Transaction</u>

Based on the facts discussed in your Date A and Date B memoranda, we believe the parties to the Transaction most likely acted pursuant to a common plan to shift income and deductions in such a manner that was beneficial to each participant in the Transaction:

- Taxpayer stood to receive a ten-fold deduction for every dollar of its Amount Z investment in the Transaction. These significant tax benefits were to be realized only if each party to the Transaction performed their pre-designed role.

- Q Company was able to avoid the adverse X tax consequences of owning the equipment on Date D, and receive Amount Y and Amount X payments from Promoter LP for entering into the Transaction.

- M Group ("M Group") received Amount W for executing partnership documents related to the Transaction (or other lease-stripping transactions of Promoter).

- Promoter (the tax shelter promoter); its alter-ego entities (Promoter LP, Promoter A, Promoter F, Promoter C, Promoter D, Promoter E-1, Promoter E-2, and Promoter E-3); and its owners (L Individual and the K Family) received substantial fees for arranging the Transaction. Facts that suggest that the foregoing entities were alter-egos of Promoter include, *inter alia*,

  – Promoter F, Promoter D, and Promoter share the same mailing address;

  – F Individual, a vice-president and 40% shareholder in Promoter A was also a consultant and acting president of Promoter in Year 1;

  – The sharing of personnel (such as H Individual, J Individual, and G Individual) by and overlapping ownership (possessed by the foregoing individuals, L Individual, and the K Family) of Promoter LP, Promoter, Promoter A, Promoter C, Promoter F, and the several Promoter E entities.

We have not reviewed the promotional materials relating to the Transaction. However, based on (1) the close proximity in time between (a) the Q Company - Promoter LP sale-leaseback (Date D), (b) the Promoter LP - Promoter F sale-leaseback (Date E), (c) the Promoter LP - Promoter A assignment/assumption transaction (Date F), and (d) the Promoter LP - Taxpayer Sub section 351 transaction (Date G); (2) the circular cash flows between the parties to the Transaction; (3) the overlapping ownership and control of the entities owned or controlled directly and indirectly by the K Family and/or L Individual; and (4) the other factors discussed in your memoranda, we believe it is likely that each of the parties to the Transaction acted pursuant to a common plan to shift deductions to Taxpayer without the corresponding income inclusion (that was diverted to Promoter LP and its tax-exempt limited partner). Consequently, section 482's application to the Transaction is appropriate, and income and deductions may be allocated between the members of the controlled group (which includes all parties to the Transaction that acted pursuant to the common plan).

E. <u>Section 482's Application to the Transaction -- In General</u>

Generally, we have considered applying section 482 to lease-stripping transactions under three alternative analyses. The application of these three analyses to a lease-stripping transaction, however, does not preclude the application of other theories, such as sham and step transaction (to the lease-stripping transaction). Section 482 analyses should be applied in conjunction with these other theories, because section 482 applies whether or not a transaction is a sham or otherwise colorable where a transaction is merely a device to shift income or deductions. Treas. Reg. § 1.482-1(c) (1968); Treas. Reg. § 1.482-1T(d)(1)(i) (1993); Treas. Reg. § 1.482-1(f)(1)(i) (1994); *G.D. Searle & Co. v. Commissioner*, 88 T.C. 252, 367 (1987).

1. Economic Substance

Under the first section 482 analysis, the economic substance of a transaction subject to section 482 is analyzed by focusing on the parties' actual conduct; the economic risks purported transferred; and whether, from a business perspective, the transaction makes objective business sense, or under the language of some cases, would have been entered into by a "hard-headed business[person].[2]" *See* Treas. Reg. § 1.482-1(d)(1) (1968); Treas. Reg. § 1.482-1T(d)(1) (1993); Treas. Reg. § 1.482-1(d)(3)(ii)(B) (1994). Where the economic substance of a transaction is inconsistent with the parties' purported characterization, the Service may disregard the contractual terms underlying the transaction and treat the transaction consistent with its economic substance. This treatment may result in a denial of deductions arising from the transaction at issue. *See, e.g., B. Forman, supra,* 453 F.2d at 1160-1*; Medieval Attractions N.V. v. Commissioner*, T.C. Memo. 1996-455 (RIA) 3277, 3322 (Royalty payments to a related foreign entity that was not the owner or developer of an intangible were disallowed as deductions. The payments had no economic substance under section 482, because the foreign entity was not the creator, developer, or in substance have the ability to transfer the intangibles.).

Concerning the economic substance inquiry in the Transaction, several points suggest that the substance of the Transaction is other than its purported characterization. First, Q Company assigned its right to receive rental payments from the unrelated lessees during the initial and renewal lease terms to its (Q Company's) senior and junior financiers, respectively. [Q Company's financing obligations to the senior financiers were equal to the amount of rent that was due during the initial lease term.] Similarly, Promoter LP assigned its right to receive rental payments from the unrelated lessees to Q Company. Finally, only after the senior and junior financiers were repaid, and Q Company was reimbursed for its re-marketing expenses, would Promoter LP begin to recoup the amount paid for the equipment (Amount X plus another payment of Amount Y). Thus, Promoter LP was assured that it would have a loss on the transaction, unless the residual value of the equipment was that which it was estimated to be by R Company. [The same may be said for Promoter F as it was putatively to assume Promoter LP's position

---

[2] *B. Forman v. Commissioner*, 453 F.2d 1144, 1160-1 (2nd Cir. 1972) (Section 482 may overlap with section 162 and result in the denial of deductions where the lack of arm's length dealings results in payments between parties with a "close relationship" in an attempt to avoid taxes.).

vis-á-vis Q Company.] Based on R Company's involvement in other lease-stripping transactions, it may be the case that this estimate will prove to be substantially overvalued and that the treatment of the Q Company - Promoter LP and Promoter LP - Promoter F transactions as sale-leaseback transactions is inappropriate.

Additionally, the economic substance of the various steps comprising the Transaction must also be considered. Relevant factors include, *inter alia*, whether the ostensible $3.2 million gain of Promoter LP on the sale of the equipment to Promoter F was paid to M Group; whether, for state law purposes, the registrations of the security interests of the third-party creditors were changed to reflect the sale-lease back transactions; whether Promoter LP and other entities claimed depreciation deductions for the period they held title to the equipment; whether the third-party leases permitted the sale of the equipment without the prior consent of the lessees and whether such consent was obtained; whether the dividends on preferred stock issued to Promoter LP by Taxpayer Sub were ever paid pursuant to the stated schedule; and whether the Amount U that Promoter F received from Promoter D was ever repaid. If a review of these and the other facts of the Transaction suggest that the substance of the Transaction is other than its stated form, the Service may disregard the contractual terms comprising the Transaction and treat the Transaction in accordance with its substance under section 482. If the substance reveals that the Transaction would not have been entered into by persons acting at arm's length, or by "hard-headed business[persons]," then Taxpayer Sub's deductions arising from the Transaction may be denied. *See Medieval Attractions N.V.*, *supra*; *B. Forman*, *supra*.

2. Section 482's Role in Nonrecognition Transactions

The second section 482 analysis that may be applied to the Transaction relates to section 482's role in nonrecognition transactions, such as section 351 transactions. Specifically, section 482 may apply in nonrecognition transactions to allocate income and deductions attributable to an entity's disposition of built-in-loss (and gain) property, which it acquired in a nonrecognition transaction, to the contributing shareholder (or partner). *See* Treas. Reg. § 1.482-1(d)(5) (1968); Treas. Reg. § 1.482-1T(d)(1)(iii) (1993); Treas. Reg. § 1.482-1(f)(1)(iii) (1994); *National Securities Corp. v. Commissioner*, 137 F.2d 600 (3rd Cir. 1943), *aff'g*, 46 B.T.A. 562 (1942), *cert. denied*, 320 U.S. 794 (1943)*; Ruddick Corp. v. United States*, 643 F.2d 747 (Cl. Ct. 1981), *on remand*, 3 Cl. Ct. 61, 65 (1983), *aff'd without opinion*, 732 F.2d 168 (Fed. Cir. 1984); *Northwestern Nat. Bank of Minneapolis v. United States*, 556 F.2d 889, 892 (8th Cir. 1977), *aff'g*, 37 A.F.T.R.2d ¶76-1400 (D. Minn. 1976); *Dolese v. Commissioner*, 811 F.2d 543 (10th Cir. 1987), *aff'g*, 82 T.C. 830 (1984); *Foster v. Commissioner*, 80 T.C. 34, 160, 172-77 (1983), *aff'd in relevant part*, 756 F.2d 1430, 1433-4 (9th Cir. 1985), *cert. denied*, 474 U.S. 1055 (1986). *See also Eli Lily & Co. v. Commissioner,* 84 T.C. 996, 1119 (1985), *aff'd in part, rev'd in part*, 856 F.2d 855 (7th Cir. 1988) (restricting section 482's application to nonrecognition transactions in cases of tax avoidance).

In the lease-stripping context, this analysis applies by likening the contribution (in a nonrecognition transaction) of the obligation to pay rent after the income has been stripped-off to a contribution of built-in-loss property. This is because once the income is stripped off and the obligation to pay rent remains, the combined right to receive (tax-free) rent and the obligation to pay (deductible) rent will generate a tax loss. This is in spite of the fact that the transferee (in the nonrecognition transaction) will pay little, if any, out-of-pocket cash, because the tax-free inflows of rent will offset the deductible outflows. Accordingly, if a tax avoidance motive is present, which is often the case in lease-stripping transactions, it is appropriate to allocate the built-in loss to the (tax exempt) contributing shareholder and prevent the evasion of taxes by the "investor."

On the facts relating to the Transaction, the sale-leaseback transaction between Promoter LP and Promoter F effectively converted future rental payments into an interest-bearing note. When this note is considered in conjunction with Taxpayer Sub's assumption of Promoter LP's obligation to pay rent to Promoter F, the net effect is akin to a contribution of built-in loss property by Promoter LP to Taxpayer Sub. The tax loss was assured by Taxpayer Sub's receipt of a section-362(a)-transferred basis in Promoter F's note. Thus, the repayment of principal by Promoter F to Taxpayer Sub -- which accounted for the vast majority of payments to Taxpayer Sub -- was a tax-free recovery of basis, while Taxpayer Sub was able to take substantial tax deductions for the deemed payment of rent to Promoter F. Importantly, these deductions were realized without Taxpayer Sub having to make cash disbursements, as the payment streams on the Promoter F note and the Promoter F lease offset. [Taxpayer Sub also apparently accrued a nominal amount of interest income.]

Because there appears to have been a tax-avoidance purpose underlying the section 351 transaction between Taxpayer Sub and Promoter LP, the built-in loss, *i.e.,* the rental deductions attributable to the combined effect of the Promoter F note and the Promoter F lease, may be allocated to Promoter LP. This has the result of allocating the rental deductions (of Taxpayer Sub) arising from the Promoter F lease to Promoter LP, a pass-through entity substantially all of whose interests are owned by persons not subject to the United States' taxing jurisdiction.

3. Clear Reflection of Income & Prevent the Evasion of Taxes

The third theory under which a lease-stripping transaction may be analyzed relates to the Service's ability to allocate income and deductions in order to clearly reflect income and/or prevent the evasion of taxes. I.R.C. § 482; Treas. Reg. § 1.482-1(d)(1) (1968); Treas. Reg. § 1.482-1T(a)(1) (1993); Treas. Reg. § 1.482-1(a)(1)(1994). Specifically, lease-stripping transactions are often effected by (a) creating an artificial separation of the rental income from the associated deductions by accelerating the rental income in the hands of an entity not subject to the U.S.'s taxing jurisdiction, and (b) by placing the deductions associated with the rental income in an entity subject to U.S. tax. *See* Notice 95-53. In such an instance, the Service may prevent this artificial shifting of income and deductions by (a) allocating the rental deductions from U.S. taxpayer to the tax-exempt entity, or (b) allocating the rental income from tax-exempt entity to the U.S. taxpayer. *See, e.g., Charles Town, Inc. v. Commissioner*, 372 F.2d 415 (4th Cir. 1967), *aff'g,* T.C. Memo. 1966-015, *cert. denied*, 389 U.S. 841 (1967); *J.R. Land Co. v. Commissioner*, 361 F.2d 607, 609-10 (4th Cir. 1966), *aff'g sub nom*, *Brentwood Homes, Inc. v. United States*, 240 F. Supp. 378 (E.D.N.C. 1965); Central *Cuba Sugar Co. v. Commissioner*, 198 F.2d 214 (2nd Cir.), *rev'g*, 16 T.C. 882 (1951), *cert. denied,* 344 U.S. 874 (1952); *Rooney v. United States*, 305 F.2d 681 (9th Cir. 1962); *Advance Machinery Exchange, Inc. v. Commissioner*, 196 F.2d 1006 (2nd Cir. 1952), *cert. denied*, 344 U.S. 835 (1952). Such an allocation would match the income and the deductions associated with the income, and thereby constitute a clearer reflection of income than that which is represented by a lease-stripping transaction. Concomitantly, in the lease-stripping context, the evasion of taxes is prevented.

Application of this section 482 analysis to the Taxpayer Sub - Promoter LP section 351 transaction could result in an allocation from Taxpayer Sub to Promoter LP of the income and deductions attributable to the items Promoter LP contributed to Taxpayer Sub, *i.e.,* the Promoter F note and the Promoter F lease obligations. In this manner, the second theory under which section 482 may be applied to lease-stripping transactions (section 482's role in nonrecognition transactions) is similar to the third theory (the clear reflection of income and tax evasion standards) where the rental deductions are allocated to Promoter LP.

CASE DEVELOPMENT, HAZARDS AND OTHER CONSIDERATIONS

[redacted]

If you have any further questions, please call 202-622-3870.

Jeffrey L. Dorfman
Chief, CC:INTL:Br5
Office of the Associate Chief Counsel
(International)